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LETTER DATED 19 MAY 1999 FROM THE ACTING CHAIRMAN OF THE SECURITY COUNCIL COMMITTEE ESTABLISHED BY RESOLUTION 661 (1990) CONCERNING THE SITUATION BETWEEN IRAQ AND KUWAIT ADDRESSED TO THE PRESIDENT OF THE SECURITY COUNCIL

I have the honour to transmit herewith, pursuant to paragraph 10 of Security Council resolution 1210 (1998), the report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait. The report was adopted by the Committee on 18 May 1999.

(Signed) Fernando Enrique PETRELLA
Acting Chairman
Security Council Committee established
by resolution 661 (1990) concerning the
situation between Iraq and Kuwait

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Annex

Report of the Security Council Committee established by resolution 661 (1990) concerning the situation between Iraq and Kuwait on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995)

I. INTRODUCTION

1. The present report is submitted to the Security Council pursuant to paragraph 10 of resolution 1210 (1998), in which the Committee was requested, in close coordination with the Secretary-General, to report to the Council prior to the end of the 180-day period on the implementation of the arrangements in paragraphs 1, 2, 6, 8, 9 and 10 of resolution 986 (1995). The report, the tenth of its kind, covers the Committee's major activities with regard to the implementation of the above arrangements during the second 90-day period of phase V of the oil-for-food programme after paragraph 1 of resolution 1210 (1998) came into force on 26 November 1998.

II. SALE OF PETROLEUM AND PETROLEUM PRODUCTS

2. Since the beginning of phase V, the export of petroleum from Iraq has proceeded smoothly, with excellent cooperation among the oil overseers, the independent inspection agents (Saybolt), the Iraqi State Oil Marketing Organization and the national oil purchasers.

3. The overseers continue to advise the Committee on the oil pricing mechanisms, oil contract approval and modifications, management of the revenue objective and other pertinent questions related to export and monitoring, under Security Council resolutions 986 (1995), 1175 (1998) and 1210 (1998).

4. On 9 March 1999, the overseers informed the Committee that during the second half of phase V the increase in the total level of exports accompanied by the corresponding increase of exports both from the North and the South had led to an increase in the share of crude oil exported from Mina al-Bakr. The Committee took note of this temporary situation on 22 April 1999 (S/AC.25/1999/CN/15) with the understanding being that the Kirkuk-Yumurtalik pipeline would be used to its maximum capacity and that all efforts would be taken to correct the imbalance without delay. The Committee will review the situation at the end of the period referred to in paragraph 1 of resolution 1210 (1998).

5. As at 10 May 1999, the Committee, acting under the recommendation of the overseers, had reviewed and approved a total of 96 oil contracts for the sale of oil in phase V, involving purchasers from 28 countries. The total quantity of oil approved for export under those contracts is approximately 365 million barrels for phase V. All contracts submitted used the pricing mechanisms approved by the Committee, on the recommendation of the overseers.

6. As at 10 May 1999, 245 liftings, totalling 320.3 million barrels valued at $1,404 million, had been completed. Letters of credit opened for each of the liftings were reviewed and confirmed by the overseers in accordance with the terms and conditions of the approved contracts. About 42 per cent of the liftings were made at Ceyhan, Turkey. At current prices, the total revenue for phase V is estimated to be around $3.9 billion, including the pipeline fees valued at $180 million.

7. The overseers have worked with the independent inspection agents (Saybolt) to ensure the effective monitoring of the relevant oil installations and the liftings. They have received the full cooperation of the Iraqi authorities.

8. Pursuant to paragraph 2 of the procedures of the Committee (S/1996/636), 345 national oil purchasers have been nominated from 53 countries who are authorized to communicate directly with the overseers.

9. Pursuant to paragraph 14 of the procedures of the Committee, the overseers have continued to report to it once a week on the contracts considered by them regarding the sale of petroleum originating in Iraq, including the cumulative quantity and approximate value of petroleum authorized for export. To date, 125 reports have been submitted to the Committee.

III. HUMANITARIAN SUPPLIES TO IRAQ

10. As in previous phases, during the second 90-day period of phase V, the Committee continued to attach high priority to the work of processing contracts for the supply of humanitarian goods to Iraq.

11. As at 14 May 1999, the Secretariat had received 797 applications under phase V for exports of humanitarian supplies to Iraq. Of that total, 7 were subsequently cancelled, 674 were circulated to Committee members for action and 116 were still being processed. Of those sent to the Committee for consideration, 570 were found eligible for payment from the United Nations Iraq Account, totalling approximately $1.19 billion; 28 were still pending under the "no-objection" procedure; and 76, with a total value of $86,977,739, had been placed on hold. For the 570 applications that were found eligible for payment from the Iraq Account, 495 letters of approval were released based on the availability of funds and the remaining 75 were waiting for sufficient funds to become available in the Iraq Account.

12. The Committee intends to review, at a meeting of the Committee to be held in June 1999, those applications that have been put on hold or blocked.

13. The work of goods-arrival confirmation by the United Nations independent inspection agents (Cotecna) has continued according to established procedures, at the four entry points to Iraq at Al-Walid, Trebil, Umm Qasr and Zakho. As in previous phases, the Iraqi authorities have accorded the independent agents full cooperation in their work. During the second half of phase V, 3,161 consignments of humanitarian supplies from previous phases were confirmed as having arrived in Iraq in total or in partial shipments.

IV. MATTERS RELATING TO OIL SPARE PARTS AND EQUIPMENT TO IRAQ

14. In paragraph 2 of resolution 1175 (1998), the Security Council requested the Committee, or a panel of experts appointed by the Committee, to approve contracts for the parts and equipment referred to in paragraph 1 of that resolution according to lists of parts and equipment approved by the Committee for each individual project. In paragraph 3 of the same resolution, the Council decided that up to $300 million from the escrow account might be used for that purpose. The Council reaffirmed the arrangement in paragraph 8 of its resolution 1210 (1998).

15. The Committee has been making continuous efforts to expedite the approval process for contracts for sending oil spare parts and equipment to Iraq in accordance with existing procedures. During the period covered by the present report, the Secretariat received 270 new applications valued at $156,392,150 to ship oil spare parts and equipment to Iraq and circulated 162 applications, including those left from previous resolutions, to the members of the Committee for consideration. A total of 115 applications valued at $55,915,118 were approved during the period, including 18 applications valued at $18,356,166 that were released from previous holds since the Committee's last report. At the same time, 66 contracts valued at $32,250,356 were placed on hold (with 10 of them, valued at $2,404,760, subsequently released from holds). As at 14 May 1999, 49 applications valued at $26,842,254 remained on hold.

16. From the beginning of the process up to 14 May 1999, the number of applications received by the Committee to ship oil spare parts and equipment to Iraq under previous resolutions had reached a total of 792, with a value of $434,633,918. Of those, 638 were circulated to the members of the Committee for consideration; 7 were being reviewed by Committee experts awaiting amendments to the Distribution Plan; 80 were returned to the applicant missions for clarification and 14 were declared null and void. Of the 638 applications circulated, 481, valued at $264,526,444, were approved; 134, valued at $53,915,885, were placed on hold and 23 were pending under the "no-objection" procedure. As at 14 May 1999, 54 such shipments had arrived in Iraq in total or in part.

17. The Committee intends to review in June those contracts for oil parts and equipment that have been placed on hold or have been blocked.

V. OTHER ACTIVITIES

18. The Committee held six formal meetings and a number of informal consultations at the expert level during the reporting period to discuss various issues related to the implementation of the oil-for-food programme. The Committee considered, inter alia, the following issues:

(a) A proposal by the Office of the Iraq Programme regarding the reimbursement of the 53 per cent account from the 13 per cent account for joint purchases of bulk food and medicines. As at 31 March 1999, the accumulated reimbursable balance totalled $147.5 million. The Committee remains actively seized of the issue of reimbursement;

(b) A letter from the Under-Secretary-General for Management concerning the transfer of 1 per cent of the oil sales proceeds from the escrow account established under resolution 986 (1995) for the payment envisaged in paragraph 6 of resolution 778 (1992), as provided in paragraph 8 (g) of resolution 986 (1995). There was general agreement among members of the Committee that the amount for that purpose should be $10 million every 90 days as specified by paragraph 8 (g) of resolution 986 (1995). The Chairman of the Committee addressed a letter to that effect to the Under-Secretary-General for Management on 14 May 1999;

(c) A number of options, within the framework of Security Council resolutions, to resolve the financial issue relating to the Hajj pilgrimage in accordance with paragraph 3 of resolution 1210 (1998). The issue remains unresolved to date;

(d) The situation with regard to the level of stock in central medical warehouses. It was established that the reasons for the stock of pharmaceuticals, medical supplies and medical equipment are multiple and complex. As at 31 March 1999, the level of such stock was valued at $291 million. The Committee will give a follow-up on this review.

VI. CONCLUSIONS

19. The Committee will continue to work in a close cooperation with the Office of the Iraq Programme to ensure the effective implementation of all relevant arrangements under the oil-for-food programme. The Committee wishes to reiterate its appreciation to all parties concerned for their cooperation and contribution in this regard.